

PERIOD FOUR IMPLEMENTATION GRANT REPORT

Period from April 1, 2001 to September 30, 2001

**To the United States Agency for
International Development**

**In fulfillment of the 1999-2002
AID/OPPORTUNITY International Grant
PCE-A-00-99-00030-00**

**Submitted by Opportunity International
October 2001**

Attachment 1A

Simplified Activity and Financial Statement

As of September 30, 2001	Year 1	Year 2	Year 3
ACTIVITIES			
1. Amount of Loans Outstanding, Start of Year	276,209	428,295	
2. Amount of Loans Outstanding, End of Year	428,295	530,845	
3. Average Amount of Loans Outstanding	345,076	554,445	
4. Number of Loans Outstanding, End of Year	7,092	8,312	
5. Average Loan Size (Outstanding Balance)	60.39	63.86	
6. Delinquency Rate (Portfolio at Risk)	12.47%	10.32	
7. Long Run Loss Rate (Provision)	2%	8%	
INTEREST RATES			
8. Nominal Interest Rate Charged	36%	36%	
9. Local Inter-Bank Interest Rate	28%	34%	
10. Inflation Rate	7.73%	6.57%	
CLIENT REVENUES			
11. Interest Income From Clients	301,006	442,590	
12. Fee Income From Clients	12,365	5,057	
13. Total Client Revenues	313,371	447,647	
NON-FINANCIAL EXPENSES			
14. General Operating Expenses	336,539	298,403	
15. Depreciation of Fixed Assets	7,296	10,868	
16. Loan Loss Provision	11,575	48,726	
17. Total Non-Financial Expenses	355,410	358,003	
ADJUSTED FINANCIAL EXPENSES			
18. Adjusted Financial Expenses (line 3 multiplied by the higher of line 9 or line 10)	96,621	188,511	
TOTALS			
19. Total Expenses (line 17 plus line 18)	452,031	546,514	
20. Return on Operations (line 13 divided by line 19)	69%	82%	
OTHER			
21. Total number of savers (including compulsory)	6,791	8,055	
22. Total savings outstanding	123,044	246,864	
23. Percent women borrowers (of line 4)	90%	90%	
24. Number of total staff	54	57	
25. Number of loan officers	38	42	
26. Number of loans outstanding with initial balance >US\$300	301	257	

Currency in US Dollars

ATTACHMENT 1B**TABLE 1-part 2**

INSTITUTION: Aging of Portfolio Report			
USD (\$)			
Period September 30, 2001			
	# of Loans	Outstanding Balance	Percent
Current Loans	5,120	480,213.18	90.46
1-30 days past due	2,375	27,044.30	5.09
31-60 days past due	212	8,801.93	1.66
61-90 days past due	204	5,560.19	1.05
Over 90 days past due	401	9,225.94	1.74
TOTALS	8,312	530,845.54	100

Note: Exchange rate: US\$1 = 2,328.75 Pesos

ATTACHMENT 1B

TABLE 3

UNADJUSTED BALANCE SHEET (In USD)			
	Year 1	Year 2	Year 3
ASSETS			
Cash and Banks	146,198	152,053	
Short Term Investments	0	202,575	
Gross Loans			
Performing	372,293	480,213	
Past Due >30 days	56,003	50,632	
Less: Loan Loss Reserve	12,276	627	
Net Portfolio Outstanding	416,020	530,218	
Other current assets		25,504	
Total Current Assets	562,268	910,350	
Long Term Investments			
Net Property Equipment	126,449	87,289	
Other Long Term Assets			
TOTAL ASSETS	688,667	997,639	
LIABILITIES			
Demand Deposits			
Time Deposits			
Short Term Loans			
Other Current Liabilities	19,769		
Total Current Liabilities	19,769		
Long Term Concessional Loans	43,097	34,118	
Long Term Commercial Loans			
Other Liabilities	110,709	235,976	
TOTAL LIABILITIES	173,575	270,094	
EQUITY			
Paid In Capital			
Retained Earnings			
Donated Equity	515,092	727,545	
Other Capital Accounts			
TOTAL EQUITY	515,092	727,545	
TOTAL LIABILITIES & EQUITY	668,667	997,639	

As of September 30, 2001

ATTACHMENT 2

Key Program Indicators

	Baseline 12/98	Year 2 9/01 Projections	Year 2 9/01 Actuals
Number of Loans Outstanding	3,235	10,296	8,312
Amount of Loans Outstanding (US\$)	350,000	1,894,026	530,219
Portfolio at Risk (>30 days)*	16.3%	9.0%	10.32
Long Run Loss Rate		4.0%	8%
Return on Operations**	86%	97%	82%
Operating Efficiency***	39%	45%	58%
Client Retention rate (avg. of rates for the 3 products)	83%	83%	85%
Clients per loan officer			
Trust Banks	280	290	260
Solidarity Groups	185	200	170
Individual Loans	90	125	80
Private sector commercial funds raised to support program (annual basis)	0	\$200,000	34,118

*Portfolio at risk: balance of loans outstanding with delinquent payments over 30 days.

**Return on operations: Total client income and fees / Total Adjusted Expenses (line 30 of Table 1)

*** Operating Efficiency: Total operating costs / Average Gross Loan Portfolio

NARRATIVE REPORT

Variances

Please see attached Action Plan submitted to USAID September 2001.

Incentive Plan

With the help of Dan Wilkins, Vice President of Opportunity International's Investment Services Group, AGAPE developed a model for an incentive plan which was presented to the Board of Directors. The plan defines the minimum requirements for the number of clients and the amount of portfolio for each loan officer and the percentage of portfolio in arrears they must maintain. After reviewing the plan, the Board provided some suggestions for other indicators that should be present such as a maximum percentage of portfolio written off per loan officer and the number of clients a loan officer graduates to other credit methodologies. The Human Resource Director is making the suggested changes, and a revised plan will be submitted to the Board for their approval.

Inventory of Fixed Assets

The accounting firm, SAASET, conducted an inventory of AGAPE's fixed assets. The inventory is currently being valued for cost.

Write-off Policy

It was decided that the amount of portfolio more than 180 days past due will be written off. The policy was implemented in August.

Personnel and Training

Personnel

During 2001, AGAPE hired the following loan officers:

- Individual Loan Program: Mr. William Muñoz was hired in September.
- Solidarity Group Loan Program: Albert Ricardo and Javier Iguaran.
- Trust Bank Program: Sandra Ortiz, Johary Corrales, Erica Martinez, Carmen Quintero, Eliana Castro, and Anyelin de la Cruz.

Training

Over the course of the year, all loan officers were trained to operate Office(Word and Excel) and given basic lessons in computer operation.

In the month of August, AGAPE held a workshop for Trust Bank loan officers on Trust Bank Formation in order to strengthen the group formation process; determine the content of the eight orientation sessions required when forming new Trust Banks; and identify the basic tools used in forming new Trust Banks. The workshop lasted one week.

In October, the coordinators for the Solidarity Group and Individual loan programs participated in a planning workshop.

MIS

Steve Callison presented the Temenos eMerge system (accounting and portfolio software chosen by the Opportunity Network) to the Board of Directors. The Board approved implementation of the system once AGAPE has obtained necessary funding for pre-installation and system maintenance costs. AGAPE has been in discussion with Jim Frantz, Opportunity Latin America Regional Coordinator, and he mentioned the possibility of a donation to cover the costs. If the donation comes through, AGAPE could implement the system in 2002.

Other

Exchanges

Mitzy Machado, AGAPE's Trust Bank program coordinator, participated in an impact evaluation seminar (SEEP) in El Salvador and was a panalest on the "Measuring and Improving Impact" plenary session at the Microcredit Summit in Puebla, Mexico. She also went to Opportunity International's Partner in Peru to do an assessment of their Trust Bank program.

In October, loan officers attended the Opportunity Latin America Regional Loan Officer Conference in Santa Marta, Colombia, on Servant Leadership which was very beneficial and motivating.

Exploration of New Funding

AGAPE has contacted Cooperativa Emprender in Colombia to identify possible sources of loans and there is an open possibility for funding. In regards to funding from IFI, there have been changes in their credit policies and AGAPE is waiting to find out a little more about how they will structure these policies (they mentioned the possibility that IFI will convert to a commercial bank) as it is not currently a bank, but rather a state-owned entity. AGAPE is still in discussions with Banco de Bogota regarding accessing a line of credit.

As to the exploration of loans, AGAPE has had the obstacle of a low margin between the interest rate AGAPE charges its clients and the interest rate a financial entity would charge AGAPE on commercial funding..

Consolidation of AGAPE and ADEMCOL

In past months, AGAPE has been in discussions with ADEMCOL (Opportunity's Partner in Bogotá), but has decided to proceed with the current structure (not consolidated.) AGAPE, in accordance with their strategic plan, is awaiting the opening of two new agencies in Barranquilla in 2002 and hope that this model can be replicated in other cities in the country. AGAPE's vision is to be able to have an agency or branch office in every major city in Colombia.

In regards to the opening of the branch in Cartagena, in accordance with AGAPE's strategic plan, they are hoping to conduct a feasibility study in 2002 and open the office in 2003.